

# “Demonstrate, Educate and Promote”

## Sustainable Accounting

**Accounting** has been defined as "The art of recording, classifying, and summarizing in a significant manner and in terms of money, transactions and events which are, in part at least, of financial character, and interpreting the results; Accountancy or Accounting is also the art of communicating financial information about a Business entity to users such as managers, shareholders, lenders, investors, tax authorities, corporate executives, and other decision makers. This communication is in the form of financial statements (for instance the Profit and Loss Statement – P&L) that show in money terms the economic resources under the control of management.

As Decision Makers inside a Business entity, I assume we all understand this definition of Accounting.

The interesting part is to add the word Green to it; **Green Accounting** is an Accounting that factors environmental costs into the financial results of a Business operation. The term was first brought into common use by influential economist and professor Peter Wood in the 80's. Now if you want to make it even more interesting, we have the **Triple Bottom Line Accounting**. In practical terms, triple bottom line accounting means expanding the traditional reporting framework to take into account ecological and social performance in addition to financial performance. In the private sector, a commitment to corporate social responsibility implies a commitment to some form of

TBL reporting. This is distinct from the more limited changes required to deal only with ecological issues.

The phrase was coined by John Elkington in 1994. It was later expanded and articulated in his 1998 book *Cannibals with Forks: the Triple Bottom Line of 21st Century Business*. The concept of TBL demands that a company's responsibility be to stakeholders rather than shareholders. In this case, "stakeholders" refers to anyone who is influenced, either directly or indirectly, by the actions of the firm. According to the stakeholder theory, the business entity should be used as a vehicle for coordinating stakeholder interests, instead of maximizing shareholder (owner) profit.

The triple bottom line is made up of "social, economic and environmental" elements, also known by the phrase, "**People, Planet, Profit**".

If those definitions are a little challenging for you to understand and you would like a more practical approach to use in your Business I have a better definition: Sustainable Accounting.

"**Sustainable Accounting**" is the art of considering "**life Cycle Analysis**" along with your traditional financial accounting; this considers not only the financial factors but also the Social and Environmental factors for any new Sustainable and Profitable financial project.

"**life Cycle Analysis**" will consider the full life of the product from its origin: sourcing, manufacturing, logistics, marketing to selling the products (Refer to "**Sustainable Purchasing**" Topic for more details).

Budget-conscious companies are always looking for the cheapest price, but the cheapest product is rarely the most cost-effective option. Such products are usually made with inferior parts that quickly wear out and cannot be replaced. Cheap design also usually precludes effective recycling of components. Invest in making and buying well-designed, more durable items

that can be repaired, upgraded, reused and recycled. Also, ask your suppliers about their preparedness to take back products at the end of their life for reuse or recycling, along with what in house practices they have adopted to improve their environmental performance.

Traditionally, when you make a decision to invest into a new project which involves a long period of time (5 to 10 Years maximum), you will consider only the financial costs of this project.

Using the “**Sustainable Accounting**” approach, you will ask yourself:

- . Does that project have a Sustainable impact?
- . Will that project be Profitable during its life cycle?

If you say yes to those 2 questions that means this financial project is Ecolonomical (Sustainable and Profitable).

Now, how can we compare and make those numbers speak by themselves?

In my restaurant I had a 12 year old Dishmachine which was using and wasting a lot of water, energy, harsh chemicals and was very expensive to keep running in relatively safe and good condition. Obtaining a new one with the traditional accounting criteria was impossible because I didn't have the cash, or a loan to get a new one. Keeping the old one was very inefficient and very expensive and therefore I used a more Ecolonomical approach.

#### Old Machine Yearly Costs:

- |  |            |
|--|------------|
| . Acquisition                                  | \$0.00     |
| Has been already paid for and been depreciated |            |
| . Harsh Chemicals                              | \$6000.00  |
| . Repair & Maintenance                         | \$4000.00  |
| . Labor (66 man-hour weekly)                   | \$30720.00 |

- . Utilities (Water & Energy)  
Estimated at 10% of my Utilities Bill  
\$8000.00
- . Environmental Costs: Very High!

**Total Yearly Cost: \$48720.00**

**New Machine Yearly Costs:**

- . Acquisition/Lease \$2582.00  
This is leasing contract
- . Safer Chemicals \$9270.00  
There are more effective and more expensive
- . Repair & Maintenance \$0.00  
Ecolab is responsible for R&M
- . Labor (47 man-hour weekly) \$22032.00  
The Machine is much more efficient and need less labor time to operate
- . Utilities (Water & Energy)  
New Utilities Bill with new savings estimation  
\$4600.00
- . Environmental Costs: much Lower!

**Total Yearly Cost: \$38484.00**

**Yearly Savings: \$10236.00**

**and it is more Green:**

**It is Economical!**

**Note: Those numbers have been shared with Robert Schueler, Sales Development Manager for ECOLAB, Institutional Division, with the APEX Program in Colorado.**

Now understanding how to use those metrics, you can still add more factors into your “**Life Cycle Analysis**” equation:

### **Life Cycle Costs:**

#### **with Financial costs:**

**Initial Cost or Acquisition Cost (Purchasing process)**

**Leasing costs**

**Interests costs**

**Sales Taxes costs**

**Property Taxes costs**

#### **Operational costs:**

**Utilities costs (Water and Sewage, Electric, Natural gas, ...)**

**Chemical costs**

**Supplies costs**

**Labor costs**

**Uniform costs**

**Utensils costs**

**Repair and maintenance costs**

**Waste costs**

**Recycling costs**

**Removal costs**

**Disposable costs**

**Deconstruction costs**

#### **Social Costs:**

**Working conditions**

**Employee health and safety**

**Human rights and Equal Opportunity**

**Growth of a local economy**

**Support for social enterprises**

**Support for a sustainable local economy**

**Fair trade**

and Ecological Costs:  
Resource reduction  
Waste prevention and reduction  
Pollution and toxin reduction  
Reduction of greenhouse gas (ghg)  
emissions

The “Financial–Bottom–Line” assessment criteria will be determined with the “**Total Cost of Ownership**” (TCO) approach, that gives the real product “**Life–Cycle**” cost and adds Social and Ecological costs, then you will have a “**Triple–Bottom–Line**” assessment criteria.

What is important, is to analyze and understand all aspects of your project during its entire life cycle!

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“**Because Ecology means Business**”

